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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, JUNE 13, 2002

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE-2001-00664

To revise its cogeneration tariff pursuant to PURPA
Section 210.

ORDER ESTABLISHING PROCEEDING

On March 18, 2002, Virginia Electric and Power Company ("Virginia Power" or "the Company"), filed with the Commission an application, written testimony, and exhibits to support its proposal to change its cogeneration and small power production payments under Schedule 19. The proposed Schedule 19 utilizes market-based pricing rather than administratively-determined avoided costs to determine the Company's payments to qualifying facilities for energy purchased under the Public Utility Regulatory Policies Act of 1978 ("PURPA"). The Company further proposes that this schedule remain in effect for two years (2002 and 2003).¹

In support of its request, the Company states that market-based pricing for avoided costs payments are appropriate because (i) monopoly-based energy markets are being transformed into markets based upon competition, (ii) the Company's forecast for the period 2002-2007 shows that its future needs for energy will be purchased from the marketplace, and (iii) wholesale markets have matured to the point where they can be used to establish the value of wholesale power in the Company's region.

The Commission, having reviewed the filed documents, is of the opinion that the application should be docketed and that a procedural schedule should be established.

¹ We note that in our Order of January 24, 2002, in this docket, we authorized the Company to continue to use, on an interim basis, rates calculated for 2001 under the present Schedule 19 tariff until a revised Schedule 19 tariff for the Company is approved.

Accordingly, IT IS ORDERED THAT:

(1) Pursuant to 5 VAC 5-20-120 of the Commission's Rules of Practice and Procedure, a hearing examiner is appointed to conduct all further proceedings in this matter.

(2) A hearing before an examiner is hereby scheduled for September 5, 2002, at 10:00 a.m. in the Commission's courtroom on the second floor of the Tyler Building, 1300 East Main Street, Richmond, Virginia, for the purpose of receiving evidence relevant to the Company's application.

(3) Virginia Power shall forthwith provide copies of this Order, its application and all prefiled testimony to any existing cogenerator in the Company's service territory and any small power production or cogeneration developer who has contacted the Company within the last year.

(4) Any member of the public may obtain a copy of Virginia Power's application and prefiled testimony by contacting Donald G. Owens, Esquire, Troutman Sanders Mays & Valentine, LLP, 1111 Main Street, Richmond, Virginia 23219.

(5) On or before July 3, 2002, any person desiring to participate as a Respondent, as defined in 5 VAC 5-20-80 of the Commission's Rules of Practice and Procedure, shall file with the Clerk of the State Corporation Commission, c/o Document Control Center, P.O. Box 2118, Richmond, Virginia 23218, an original and fifteen (15) copies of a notice of participation and shall serve a copy upon Virginia Power. Service upon Virginia Power shall be directed to: Donald G. Owens, Esquire, Troutman Sanders Mays & Valentine, LLP, 1111 Main Street, Richmond, Virginia 23219. A notice of participation shall contain (i) a precise statement of the interest of the respondent; (ii) a statement of the specific action sought to the extent then known; and (iii) the factual and legal basis for the action.

(6) On or before July 19, 2002, each Respondent shall file an original and fifteen (15) copies of any prepared testimony and exhibits it intends to present at the hearing. Such Respondents shall serve two (2) copies of each on the Company and any other Respondent.

(7) The Commission's Staff shall investigate the reasonableness of Virginia Power's application and shall file an original and fifteen (15) copies of its report or testimony with the Clerk of the Commission, on or before August 2, 2002, sending a copy to the Company and each Respondent.

(8) On or before August 16, 2002, the Company shall file with the Clerk of the Commission an original and fifteen (15) copies of all the testimony it expects to introduce in rebuttal. The Company shall serve a copy of its prefiled rebuttal evidence upon Staff and all parties of record.

(9) On or before August 20, 2002, the Company shall file with the Clerk of the Commission proof of service as required in this Order.

(10) Virginia Power and Respondent(s) shall respond to all interrogatories and other data requests within ten (10) days and objections to all interrogatories and other data requests must be filed within five (5) days after receipt of the interrogatory or data request by the party to whom it is directed. Any objection to interrogatories or data requests not timely raised may be subject to waiver. Except as so modified, discovery shall be in accordance with Part IV of the Commission's Rules of Practice and Procedure.